



Memorandum

TO: Mayor and City Council

FROM: Vice Mayor Madison Nguyen
Councilmember Sam Liccardo

SUBJECT: SEE BELOW

DATE: November 14, 2014

Approved:

Date:

11-14-14

**SUBJECT: ACTIONS RELATED TO THE HOUSING IMPACT FEE ON NEW
MARKET-RATE RENTAL HOUSING DEVELOPMENTS**

RECOMMENDATION

Approve staff recommendations and adopt a resolution to establish the Housing Impact Fee Program with the following modification:

1. Subject all market rate residential rental housing to the Housing Impact Fee, with the exception for 5 years of downtown high-rise residential housing development. After five years from the operative fee date, the exemption for high-rise housing shall sunset.

ANALYSIS

With funding for affordable housing remaining scarce we are challenged with finding a way to make San Jose affordable for all of our residents. San Jose has taken action to provide housing for families of all income levels in the past, but long term success has not been promising. With our regional affordable housing funds shrinking from over \$125,000,000 in 2008 to less than \$50,000,000 today our options are limited in providing below market rate housing.

Over the last few years we have seen rents in our region increase by about \$400 (2012-2014), and property values have risen by over 10% in the last year. With average rent soaring past \$2,500 a month, many families are left struggling to find a place to live, and with little thought of even buying their own home. These challenges were recently highlighted from residents who have had to move multiple times within a year because of rising rent costs. Without taking action, living in San Jose will soon become impossible for hard working families who wish to live and work in our community.

A Housing Impact Fee will allow us to provide a funding source for the development of affordable housing based upon the growing demand for market rate development in San Jose. Estimates using current development patterns suggest that yearly fees of over \$20,000,000 should be attainable with a \$17 per square foot fee. This is a substantial amount of revenue that will help meet the need for affordable housing. Adopting this ordinance will signify San Jose's commitment to providing housing for all of our residents.

Additionally, we are proposing that high rise residential development be exempt from the fee for up to five years, and continued only with the approval of council after that time. San Jose has made great strides to attract development and revitalization in our downtown core and we must continue to take advantage of those opportunities.

The adoption of this Housing Impact Fee resolution will certainly not solve all of our housing needs; however, with this fee we reaffirm our commitment to being a city that all families can afford to call home.